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THE WOOL SITUATION

This issue includes the major factors in the Wool Outlook report issued November 3 as a part of the annual outlook for sheep, lambs and wool

Summary

With stocks of manufactured goods relatively small and with prospects for an improvement in consumer demand next year, domestic mill consumption of wool in 1939 may exceed that of 1938, reports the Bureau of Agricultural Economics.

The prospective increase in mill consumption will be a supporting influence to domestic wool prices. But the spread between domestic and foreign prices at present is not much less than the tariff, and unless there is some rise in foreign prices, advances in domestic prices of wool in the coming year will be limited.

Stocks of wool in this country are larger than a year ago. During the remaining months of the 1938 domestic marketing season (to April 1,1939), mill consumption of wool is likely to be considerably larger than in the same months last year. If imports remain small, as now appears likely, such an increase in consumption probably will result in smaller stocks of wool in the United States on April 1, 1939, than at the beginning of the current year.

United States imports for consumption of apparel wool in the first 9 months of 1938 totaled only 18 million pounds compared with 139 million pounds in the same months last year. Imports in the first half of 1939 are expected to continue fairly small because of the relatively large stocks of wool on hand in the United States. But imports may be somewhat larger than in 1938.

Stocks of wool in most foreign importing countries, except Japan, apparently are somewhat larger than a year earlier, when stocks were relatively small.

Supplies of wool from the Southern Hemisphere in 1938-39 are expected to be slightly larger than those of 1937-38 but about the same as average supplies for the 5 years 1932-33 to 1936-37. A prospective decline in wool production in the Southern Hemisphere in 1938-39 is more than offset by the larger carry-over into the current season.

The weekly rate of mill consumption of apparel wool in the United States in September was about 15 percent lower than in August, but with the exceptien of August was higher than in any other month since August 1937, and was 94 percent above the low rate in April 1938. Consumption on a grease basis in the first 9 months of 1938 was 27 percent smaller than in the same months last year.

Increased trading in the Boston wool market in October was accompanied by price advances of 1 to 2 cents per grease pound on most grades of wool. Average prices for combing territory wools at Boston in October were about 10 percent above the low point in June but were about 25 percent lower than in October 1937.

Wool prices advanced in Southern Hemisphere selling centers in October.

DOMESTIC SITUATION

Background

After remaining at a relatively high level since early 1935, mill consumption of wool in the United States declined rapidly in the second half of 1937 and early months of 1938. The decline in consumption was accompanied by a sharp decline in domestic wool prices. Wool prices and consumption also declined in foreign countries, but the declines were not so great as in the United States.

The 1938 domestic wool marketing season opened in April with a much larger carry-over of wool than in the previous season and with the average farm price of wool about 45 percent lower than in April 1937. Stocks of manufactured and semi-manufactured wool goods, however, were sharply reduced in the early months of 1938. The Federal Government loan program for wool producers provided an important stabilizing influence on domestic prices in the early months of the 1938 marketing season, and an increase in domestic mill consumption in July was accompanied by an increase in domestic wool prices.

Wool Sales and Prices

Increased trading in the Boston wool market in October was accompanied by price advances of 1 to 2 cents per grease pound on most grades of wool at Boston. Combing 3/8 blood bright fleece wools advanced to 32-33 cents a pound the last week of October compared with 30-31 cents the end of September. Prices of similar 1/4 blood fleece wools at 31-32 cents a pound were 1 cent higher than in September, but prices of fine Delaine remained unchanged at 29-31 cents during October.

Prices of graded combing territory wools advanced 1-1/2 to 3-1/2 cents a pound, scoured basis in October. Average prices for combing territory wools at Boston in October were about 10 percent above the low point in June but were about 25 percent lower than a year earlier.

The United States average farm price of wool on October 15 was 19.7 cents a pound compared with 18.7 cents on September 15 and 29.2 cents on October 15, 1937.

Government wool loans

The Commodity Credit Corporation announced on October 25 that the period for obtaining Government wool loans has been extended to December 31, 1938. To October 22 a total of 96 million pounds of wool had been appraised for loans and of this quantity loans had been completed on 69 million pounds. The loans have averaged about 17.6 cents per grease pound at warehouses.

Prospects for wool prices in 1939

The trend in domestic wool prices during the coming year will depend to some extent upon changes in domestic mill consumption, but probably to a greater extent upon changes in wool prices in foreign markets. It appears probable that the prospective improvement in mill consumption in the coming year will be a supporting influence on domestic prices. On the other hand, the spread between domestic and foreign wool prices has increased in recent months and is now not much less than the tariff. Consequently, without some rise in foreign prices, in terms of dollars, advances in wool prices in this country from present levels would be limited.

Wool Stocks

Stocks of apparel wool held by United States dealers and manufacturers on September 24 were the largest reported since September 1935. Such stocks totaled 320 million pounds, grease basis, on September 24 compared with 276 million pounds a year earlier and 345 million pounds on September 28, 1935, according to reports of the Bureau of the Census. These figures include wool afloat and in bonded warehouses but they do not include wool held on farms and ranches and in local warehouses in producing States. Dealers held a somewhat larger percentage of reported stocks in September 1938 than at the corresponding date in the 3 years previous. The stocks reported by dealers and manufacturers on September 24 this year with comparisons are shown on a scoured equivalent basis in the following table.

Stocks of raw wool, top and noil held by dealers, topmakers and manufacturers in the United States, scoured basis, September 24, 1938 with comparisons

Item	1937	1938	
	Sept. 25 1/	June 25 1/	Sept. 24
	1,000 pounds	1,000 pounds	1,000 pounds
Apparel wool, total	135,353	139,260	147,279
Dealers	73,600	81,239	87,190
Domestic	62,700	73,455	77,641
Foreign on hand	10,645	7,631	8,584
Foreign afloat	255	153	965
Manufacturers & topmakers	61,753	58,021	60,089
Domestic	38,831	43,895	46,687
Foreign on hand	21,826	13,445	12,699
Foreign afloat	1,096	681	703
Carpet wool, total	42,282	32,025	26,782
Dealers	2,802	4,064	3,087
Manufacturers	39,480	27,961	23,695
Tops	32,372	23,462	26,208
Noils	12,138	7,862	8,748

Compiled from Bureau of the Census Quarterly Wool Stock Report, September 24, 1938. 1/ Revised.

Carry-over into 1939 season may be smaller than in 1938

As a result of large imports and reduced mill consumption in 1937, the carry-over of old wool into the 1938 marketing season was much larger than the carry-over a year earlier. Wool production in 1938 is little different from that of 1937. Since the beginning of the new marketing season last April imports have been much smaller than a year earlier, and the reduction in imports has been slightly larger than the decrease in mill consumption from April through September.

During the remaining months of the 1938 marketing season (to April 1, 1939), mill consumption of wool in the United States is likely to be considerably larger than in the same months last year. If imports remain small, as now appears likely, such an increase in consumption probably will result in smaller stocks of wool on April 1, 1939, than at the beginning of the current year.

Production, imports and mill consumption of apparel wool, grease basis, in the United States, annual 1935-37 and April to September 1937 and 1938

Year beginning Apr. 1	Production	General imports 1/	Mill consumption
	Million pounds	Million pounds	Million pounds
1935-36	431	83	2/ 673
1936-37	427	164	582
1937-38	433	60	407
Apr.-Sept. 1937	3/ 433	51	258
Apr.-Sept. 1938 prel.	3/ 435	11	232

Imports from the Bureau of Foreign and Domestic Commerce.
Consumption from the Bureau of the Census.

1/ Weight as reported; greasy, scoured and skin wool added together.

2/ Stocks of apparel wool in the United States were large at the beginning of 1935.

3/ Production for entire year.

Mill Consumption and Imports

Domestic mill consumption of apparel wool in September was somewhat smaller than in August but was larger than in any other month of the last year. The decline in mill consumption in September probably was due to seasonal conditions in the industry and to mill stoppage which resulted from hurricane damage in New England in the last week of the month.

The weekly rate of mill consumption of apparel wool was 4,905,000 pounds scoured basis, in September. This was 15 percent smaller than in August but 94 percent above the low in April and 14 percent larger than in September 1937. Consumption of apparel wool in the first 9 months of 1938 was equivalent to 257 million pounds of shorn wool, grease basis and 47 million pounds of pulled wool. The consumption on a grease basis in the first 9 months of this year was 27 percent smaller than in the same months last year.

Consumption in 1939 may exceed 1938

It is expected that the recent increase in mill consumption of wool in the United States will be fairly well maintained during the remainder of this year, but because of the small consumption in the first half of the year, consumption for the entire year 1938 is likely to be smaller than in 1937. With stocks of manufactured goods remaining relatively small and with prospects for an improvement in consumer demand next year, domestic mill consumption of wool in 1939 may exceed that of 1938.

Imports likely to continue fairly small

The small domestic mill consumption of wool in the latter part of 1937 and early months of 1938 was accompanied by a sharp decrease in United States imports. Imports for consumption of apparel wool in the first 9 months of 1938 totaled only 18 million pounds compared with 139 million pounds in the same months of 1937, when imports were relatively large, and an average of about 37 million pounds for those months in the 5 years 1932-36.

Although mill consumption in the early months of 1939 probably will be larger than a year earlier, imports of apparel wool in the first half of 1939 are expected to be fairly small because of the relatively large stocks of wool on hand in the United States. But imports may be somewhat larger than in 1938.

FOREIGN SITUATION

Wool Sales and Prices

Southern Hemisphere sales

The average price of Australian 70s warp wool, clean basis, delivered Bradford at the Sydney sales in September was 44.4 cents a pound compared with an average price of 67.1 cents a pound in the first month of the 1937-38 selling season. Early in October prices advanced 5 to 7-1/2 percent on most wools of good quality. England and continental European countries were the principal buyers, but Japan made moderate purchases in October. United States buyers took superior lots but such sales were small.

Receipts of wool at Australian selling centers so far this season have been considerably smaller than in the same months last season, reflecting the smaller production. Disposals in the first 3 months (to September 30) were equal to those of the previous season. Clearances have been excellent at recent sales.

Wool prices advanced in the Union of South Africa in the early part of October after showing some irregularity in September. The average price of 70s warp wool at South African selling centers was 41.5 cents per pound, clean costs, in September, the first month of the regular auction season. In September 1937 such wool averaged 60.8 cents a pound.

The South African Government has announced that an agreement has been signed with Germany whereby Germany will purchase wool from the Union to the value of £ 3,700,000 ($17,600,000 at September 1938 average rate of exchange) during the period from September 1, 1938, to August 31, 1939. In return, the Union of South Africa will purchase manufactured goods from Germany to the same value, during those months.

This is the fifth such annual agreement between the Union of South Africa and Germany. The sum allotted to wool purchases for 1938-39 represents an increase of about 14 percent over the value allocated in 1937-38 and an increase of 60 percent over the 1936-37 allotment. In 1937-38 Germany took approximately 35 percent of all South African wool exports compared with an average of about 22 percent in the 5 years previous. Since a stated value is set for purchases, the quantity of wool obtained will depend to some extent upon the price of wool during the current season.

South American wool markets reported little activity in September, the final month of the 1937-38 selling season. Quotations for coarse crossbred wool at Buenos Aires averaged about 35 percent below final quotations reported for the previous season in May 1937. While the 1938-39 season opened officially on October 1, little trading in new clip wool is expected until November and December.

No wool sales were held at London in October. At the close of the September sales, prices of most wools grading below 56s were about 2 cents a pound higher than at the close of the previous series on July 22. Prices of fine wools in October were slightly lower than in July when converted to United States dollars, due to the decline in the exchange rate of the English pound.

Wool Production in 1938

Preliminary estimates of wool production in 16 countries, including all of the principal Southern Hemisphere producing countries and the United States, indicate that world wool production in 1938 will be slightly smaller than that of 1937. World wool production, exclusive of Russia and China, totaled 3,487,000 pounds in 1937 which was about 1 percent larger than in 1936 and was the largest production in recent years. Wool production in Australia in 1938 is expected to show a reduction of at least 6 percent as compared with 1937, but some increase in production is in prospect in South Africa, New Zealand, and Argentina, and in some Northern Hemisphere countries.

Wool production in Argentina in 1938-39 is expected to be about 375 million pounds, according to estimates just released by the Buenos Aires Branch of the First National Bank of Boston. This is a slight increase over a revised estimate for 1937-38 based on actual exports, stocks and consumption. Average production in Argentina for the 5 seasons 1932-33 to 1936-37 was 363 million pounds.

The 1938-39 wool clip in Uruguay is expected to show little change from last year's production, which was estimated at 128 million pound. Production in Uruguay averaged 112.6 million pounds for the 5 seasons 1932-33 to 1936-37.

Wool Supplies For 1938-39

Latest estimates of production and carry-over in Southern Hemisphere countries tend to confirm the estimate of slightly larger wool supplies for the 1938-39 season than in 1937-38. Wool production in the Southern Hemisphere in 1938 will be smaller than that of 1937 as a result of the decline in production in Australia, but the decrease in production is more than offset by the larger carry-over into the current season. Total Southern Hemisphere supplies for 1938-39 are expected to be about 3 percent larger than a year earlier, but will be about equal to average supplies for the 5 years 1932-33 to 1936-37.

Stocks in importing countries

Information on imports and manufacturing activity, together with such statistics as are available on raw wool stocks in foreign importing countries indicate that stocks in most countries, except Japan, on October 1 were somewhat larger than a year earlier, when stocks were relatively small. While there has been some increase in mill activity in France and Germany, imports of wool into those countries in the 1937-38 importing season were much larger than in the previous season. Mill consumption in the United Kingdom in the last year has been much smaller than a year earlier, but imports have increased slightly.

Stocks of raw wool in Japanese warehouses at the end of June were about 34 million pounds, according to the latest statistics published in Wool Intelligence notes. This was 8 million pounds above the February low point but was the smallest quantity reported for June 30 since 1931. Imports into Japan are likely to remain curtailed under present economic conditions, but perhaps not to so great an extent as in the 1937-38 season.

Southern Hemisphere Exports In 1937-38

Exports of wool from the 5 principal producing countries of the Southern Hemisphere for the 1937-38 season 1/ totaled 1,626 million pounds, a decrease of almost 10 percent below the 1936-37 exports. The decrease was due to a decline of about 180 million pounds in exports to the United States and a decline of 160 million pounds in exports to Japan. Exports to Germany from the 5 Southern Hemisphere countries were approximately 110 million pounds larger than in the previous season and exports to France about 70 million pounds larger. See tables 4 and 5.

1/ Season ended June 30, 1938, in Australia, New Zealand and the Union of South Africa; September 30 in Argentina and Uruguay.

SUPPLEMENTARY DATA

Table 1.-Prices of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1936-38

Market and description	Average 1936	Average 1937	Oct. 1937	1938 Aug.	1938 Sept.	1938 Oct.
Boston:	Cents	Cents	Cents	Cents	Cents	Cents
Territory combing, scoured basis:						
64s, 70s, 80s (fine)	92.0	101.9	92.1	71.2	70.0	71.0
56s (3/8 blood)	80.4	87.1	78.8	59.4	59.0	59.6
46s (low 1/4 blood)	65.9	72.1	66.8	53.0	53.0	53.2
United States:						
Farm price, 15th of month, grease basis	26.9	32.0	29.2	19.5	18.7	19.7
London: 1/						
Average quality, clean cost 2/						
70s	58.4	62.1	53.7	41.2	41.0	
56s	35.1	46.3	41.3	31.0	31.0	
46s	23.8	39.5	35.5	25.9	27.0	
Bradford: 3/						
Scoured basis-						
64s warp	59.8	64.7	57.8	44.7	43.0	43.6
50s	29.7	43.2	41.3	26.4	27.0	27.8
Australia:						
Average price at selling centers, grease wool 4/	23.0	24.7	22.6	15.4	15.1	
Sydney (delivered Bradford)						
70s warp, clean basis 5/	62.9	67.5	63.0	---	44.4	
Union of South Africa:						
Average export price greasy wool	21.4	25.1	23.5	14.6	15.4	
Price at selling centers, 70s warp, clean cost 6/	60.5	62.9	56.8	---	41.5	
United States:						
Textile fibers-						
Wool, territory fine staple 7/	92.0	101.9	92.1	71.2	70.0	71.0
Cotton, 7/8 middling 8/	11.9	11.2	8.1	8.4	8.1	8.6
Silk, Japanese 13-15 9/	176.6	186.0	172.1	172.9	175.9	185.4
Rayon yarn, 150 denier 10/	58.6	62.2	63.0	51.0	51.0	51.0

Foreign prices have been converted at prevailing rates of exchange. Yearly averages are averages of monthly prices except United States farm price which is a weighted average.

1/ Average of quotations for each series of London sales reported by the London office of the Bureau. For months when no sales were held, figures are interpolated. 2/ Top and noil in oil. 3/ Quotations reported about the 25th of the month by the London office of the Bureau. 4/ Reports of the National Council of Wool Selling Brokers. 5/ Monthly averages of weekly quotations, from the Wool Record and Textile World, England. 6/ Monthly averages of weekly quotations of the South African Ministry for Agriculture. 7/ Scoured basis at Boston. 8/ Average at 10 markets. 9/ 78 percent white at New York, Bureau of Labor Statistics. 10/ Bureau of Labor Statistics.

Table 2.--United States: Wool imports, consumption and machinery activity, specified period, 1937-38

Item	Total 1937	Jan.-Sept. 1937	Jan.-Sept. 1938	1937 Sept.	1938 Aug.	1938 Sept.
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption actual weight: 1/						
Apparel	150,160	139,116	17,523	5,078	3,202	2,838
Finer than 40s	126,601	117,691	10,326	3,696	1,382	1,586
Not finer than 40s	23,559	21,425	7,197	1,382	1,820	1,252
Carpet, including camels hair	172,091	153,170	35,861	11,645	6,399	9,301
Consumption, scoured basis: 2/						
Weekly average-						
Apparel	4,772	5,410	3,635	4,303	5,784	4,905
Carpet	2,023	2,428	1,003	1,815	1,506	1,597
Aggregate-						
Apparel	248,121	211,000	141,746	17,212	23,136	19,619
Carpet	105,197	94,686	39,110	7,260	6,025	6,386
	Percent	Percent	Percent	Percent	Percent	Percent
Machinery activity: 2/ (40-hour shift)						
Worsted combs	115.2	131.0	86.6	94.1	138.4	112.3
Worsted spindles	82.2	91.7	55.4	57.9	80.3	72.7
Woolen spindles	107.8	121.6	69.6	92.4	101.5	89.7
Looms, broad	97.2	108.8	63.2	72.5	86.0	77.2
Looms, narrow	51.0	58.1	24.4	34.1	28.5	27.4
Carpet and rug looms	71.3	80.9	42.0	70.4	50.7	58.1

Import figures from official records of the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity figures from the Bureau of the Census.

1/ Weight of greasy, scoured, and skin wool added together.
2/ Figures for August and September based on 4 weeks, January to September on 39 weeks. No adjustment made for holidays.

Table 3.- Stocks of wool held by dealers, manufacturers and topmakers in the United States by class and origin, grease basis, 1934 to date

Date	Apparel wool 1/					Carpet wool, all foreign 1/
	Stocks held by -		Origin			
	Dealers	Manufacturers and topmakers	Domestic	Foreign	Total 2/	
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
1934 -						
Mar. 31 3/						
June 30 4/			337,224	41,162	378,386	55,252
Sept. 29 4/			382,888	35,178	418,066	54,237
Dec. 31 4/			342,157	30,591	372,748	46,673
1935 -						
Mar. 30 4/			261,285	28,105	289,390	41,907
June 29	195,601	123,874	296,576	22,899	319,475	43,004
Sept. 28	173,346	171,463	317,653	27,156	344,809	51,795
Dec. 31	99,928	134,605	191,100	43,433	234,533	51,772
1936 -						
Mar. 28	69,688	119,817	122,417	67,088	189,505	55,049
June 27	156,988	138,158	241,433	53,713	295,146	49,060
Sept. 26	142,609	118,989	222,541	39,057	261,598	47,462
Dec. 31	100,862	146,019	169,561	77,320	246,881	53,959
1937 -						
Mar. 27	62,400	150,350	116,361	96,389	212,750	53,923
June 26	148,005	139,382	219,956	67,431	287,387	51,172
Sept. 25	156,010	120,168	224,388	51,790	276,178	59,846
Dec. 31	149,482	90,005	200,660	38,827	239,487	63,471
1938 -						
Mar. 26	130,219	86,553	180,622	36,150	216,772	49,640
June 25	180,983	116,739	264,440	33,282	279,722	43,927
Sept. 24 5/	196,163	124,269	285,750	34,682	320,432	37,969

Bureau of Agricultural Economics. Compiled from Bureau of the Census Quarterly Wool Stock Reports. These statistics are believed to include over 95 percent of the total stocks held by and afloat to all dealers, topmakers and manufacturers in the United States.

1/ Includes foreign wool afloat.

2/ In addition, the Department of Agriculture estimates that stocks of old clip wools on farms and ranches and in local warehouses of the 13 western sheep States on specified dates were as follows: 1935, December 4,500,000 pounds; 1936, March 350,000 pounds; December 1,800,000 pounds; 1937, March 330,000 pounds; December 31,600,000 pounds; 1938, March 22,500,000 pounds.

3/ Not available.

4/ These figures are approximations obtained by converting scoured basis to grease equivalent. Stocks figures were not reported on a grease basis by the Bureau of the Census until June 1935. 5/ Subject to revision.

Table 4.- Exports of wool (greasy and scoured combined) from Argentina and Uruguay to principal importing countries, seasons 1936-37 and 1937-38

Country of destination	Oct. 1 - Sept. 30					
	Argentina		Uruguay		Total	
	1936-37	1937-38 1/	1936-37	1937-38 1/	1936-37	1937-38 1/
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
United Kingdom	75.4	72.6	20.9	21.1	96.3	93.7
Germany	23.9	66.5	19.1	36.4	43.0	102.9
France	38.4	49.2	5.0	4.7	43.4	53.9
Italy	27.3	11.1	10.3	7.5	37.6	18.6
Belgium	25.2	20.4	8.7	5.7	33.9	26.1
Japan	21.3	7.7	26.5	3.7	47.8	11.4
United States	78.5	25.4	27.2	1.4	105.7	26.8
Other	14.7	23.6	4.0	12.2	18.7	35.8
Total	304.7	276.5	121.7	92.7	426.4	369.2

Compiled from trade reports supplied by the Buenos Aires Office of the Bureau of Agricultural Economics.

1/ Preliminary.

Table 5.- Exports of wool (greasy, scoured, and washed combined) from Australia, New Zealand and the Union of South Africa, July 1 to June 30, 1936-37 and 1937-38.

Country of destination	Australia		Union of South Africa		New Zealand		Total	
	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
United Kingdom	310.8	324.9	36.5	40.4	1/154.8	1/163.8	502.1	529.1
Germany	44.2	56.1	44.8	79.4	8.5	15.3	97.5	150.8
France	83.9	132.0	35.2	43.6	14.1	20.2	133.2	195.8
Italy	36.4	30.3	11.6	17.9	2/	2/	48.0	48.2
Belgium	130.9	97.1	22.5	19.5	9.0	6.5	162.4	123.1
Japan	84.4	70.5	89.2	5.2	39.5	13.8	213.1	89.5
United States	74.7	4.7	5.2	0.5	34.4	4.2	114.3	9.4
Other countries	60.6	64.3	10.1	11.9	26.8	35.0	97.5	111.2
Total	825.9	779.9	255.1	218.4	287.1	258.8	1,368.1	1,257.1

Compiled from Wool Intelligence Notes, England.

1/ Includes optional to continental Europe - 32.6 million pounds in 1936-37 and 35.9 million in 1937-38.

2/ If any, included in "other countries".